

SECRET

Position Paper

Assumption

For the purposes of this paper "A change of status for Formosa" means a change in international status of any kind short of incorporation into the Chinese People's Republic. It does not cover purely internal changes, e.g. of personalities or in the character of the Government, which would fall under the heading of a weakening of the Chinese Nationalist position.

- (a) Probable Chinese Communist intentions and actions in the Far East and South-East Asia. How might these be affected by the weakening of the Chinese Nationalist position or a change of status for Formosa?

Aims:

We believe that Chinese long-term aims in the area are: -

- (a) to dominate the Far East and to remove Western influence;
- (b) to establish Communist or pro-Communist Governments in the other countries of the area, and
- (c) to regain control of certain areas which they regard as Chinese territory - the offshore islands, Formosa, Macao, Hong Kong and parts of Burma.

Timing

2. It is unlikely that the Chinese have any fixed time-table for achieving these objectives. They appear to be confident that the Sino-Soviet cause is triumphing over the Western and no doubt

SECRET

SECRET

reckon that with their own growing strength time is on their side.

Methods

3. The means that the Chinese will choose for pursuing these aims will vary according to political and economic factors at any given time in China and in the other territories in the area; to their assessment of Western policies and reactions, and to world tactics as agreed from time to time with the Soviet Union.

4. To regain control of those territories which they regard as their own, and which, therefore, have a nationalist importance far beyond their intrinsic value, Chinese plans no doubt include the use of threat of force, as at present over the offshore islands. But it is unlikely that they (and even less the Soviet Union) will wish to precipitate a global war over any of them, and they will rather try to regain them either, in certain circumstances, by a rapid local operation, or by a combination of threats, subversion and diplomatic means. Equally they may hope for a breakdown of the administration in any of these places which would enable them to assert control more or less peaceably.

5. The offshore islands have been chosen as the first on the list, but without, it seems, any fixed timetable for their

- 2 -

SECRET

SECRET

recovery, and Chinese statements during the present crisis have implied that they are prepared to wait for Formosa for some time (a figure of five years has been mentioned). The same is almost certainly true for the other territories mentioned in paragraph 1 (c) above, for which they may well be prepared to wait even longer. At the same time they will lose no opportunity of embarrassing the West, exploiting differences between the United States and its allies, and building up Afro-Asian sympathy for their irredentist claims. They might thus provoke a series of crises, each contrived to produce some concession and some disarray among the Western powers, designed to force a withdrawal by stages. In Korea the basic Chinese aim must be to ensure that the Peninsula is not dominated by a hostile Power. As the price of withdrawal of United States forces the C.P.G. might eventually be prepared, provided that it could not be represented as a diplomatic defeat, to accept a settlement more or less on Western terms.

6. Chinese aims in the rest of the area are in a different category from those in the territories which they consider as part of the motherland and, provided that the Western powers maintain and adequate deterrent to military action and make it clear where

- 3 -

SECRET

SECRET

they will "hold the ring", will probably be pursued by less direct means. All the non-Communist countries in the area are nationalist, most are anti-colonialist and some are neutralist. They are, therefore, vulnerable to Communist attempts to discredit Western motives, and to exploit feelings of nationalism as well as the common bond between peoples who have recently become independent. In addition their social and economic problems, political immaturity, military weakness and the consequent fear of antagonising Communist China, with, in the case of certain of them, their admiration for Chinese Communist achievements, all make them susceptible to Communist influence.

7. In these circumstances there are considerable advantages to China in presenting herself as an essentially reasonable and peace-loving country deprived of her rights by Western intransigence. There is some evidence, it is true, that neutral Asian opinion counts for less in China's calculations than it did in the two years following the Bandung Conference and that the Chinese Government expects unqualified support for its present demands in return for the support given in the past to the Governments of Egypt, Syria, Indonesia and Cambodia. Nevertheless, it is unlikely that the Chinese Government will wish to antagonize other members of

- 4 -

SECRET

SECRET

the Afro-Asian bloc, particularly India, by embarking on military adventures in South-East Asia. There seems, moreover, no economic reason for Chinese territorial expansion in the foreseeable future. Indeed, the country requires a long period of peace in which the internal economy can be consolidated. For all these reasons it is unlikely that the Chinese will pursue their aims in these countries by military means. They will rather seek to extend their influence by propaganda, subversion, and economic penetration conducted in such a way as to avoid as far as possible rousing Asian, and in particular Indian, suspicions.

Effect of a weakening of the Chinese Nationalist position or of a change of status for Formosa

8. A weakening of the Chinese Nationalist position might affect the timing but not the intentions of the Chinese People's Government either towards Formosa itself or the rest of Asia. For the reasons outlined above it is unlikely that they would seek to press on with increased military action. They would, however, urge on the Nationalists, and particularly on non-Chiang Kai-shek elements, the conclusion that it was useless in the long run to rely on the United States, and would exert greater pressure on them to come to terms as brother Chinese. It is quite possible

- 5 -

SECRET

SECRET

that they would confine themselves for a year or so, or until the disappearance of Chiang Kai-shek, merely to a propaganda campaign on these lines combined with one throughout the area directed against American military bases and military aid.

9. A change in the status of Formosa might have the advantage for the Chinese People's Government of facilitating their admission to the United Nations, as well, presumably, as lessening direct United States influence over the island. They might calculate that, as there is little prospect of the United States handing over Formosa direct to the Chinese People's Republic, some provisional status might prepare the way for an eventual settlement acceptable to them, with face saved all round. In these circumstances the Chinese might tacitly accept a different status for Formosa in exchange for the Chinese seat in the United Nations and a guarantee of later negotiations about the island's future. At the same time they would have to consider the risk that any change in the island's status might make its ultimate incorporation into China more difficult - for instance in the event of a plebiscite in which the people of the island might opt for independence. If this were their assessment, they might seek, e.g. in the United Nations through the Soviet Union and Afro-Asians, to block any

- 6 -

SECRET

SECRET

moves towards a change of status; or, if this looked like coming about despite their opposition, they might feel that they must press matters to a conclusion before any new regime had time to take root.

- 7 -

SECRET

SECRET

- (b) The effect of any such developments upon other Governments in the area (in particular those at present more closely aligned with the West), and on their assessment of Western determination to resist Communist encroachment.

1. The Governments most immediately affected would be those of the two half states, South Korea and South Vietnam, which are bitterly opposed to the Chinese Communists, hope eventually to redeem the lost half of the national territory, and are almost entirely dependent on the United States for their protection. These in fact must see a parallel between Formosa and their own case. In both there would be alarm, and distrust of United States determination to resist Communist encroachment (both Governments might however be tempted to express greater dismay than they really felt so as to heighten Western anxiety to conciliate them). It is however unlikely that there would be any disposition to come to terms with the Communists. A change of status for Formosa, if it represented an evident defeat for the West, would be more damaging, though it would still be unlikely to lead to reinsurance with the Chinese People's Government. If it were a reasonable settlement reasonably negotiated it might be more acceptable, though misgivings would remain.

2. Next come those countries - Thailand, the Philippines, Pakistan,

- 8 -

SECRET

SECRET

and Malaya - in defence treaty relationships with the West, which they consider at present to be their best protection against Sino-Soviet penetration. The Thai Government, though they have little feeling of solidarity with the Nationalist regime as such, regard the present offshore islands dispute as a test of whether or not the United States are really prepared to contain Communist China. A weakening of the Nationalist position would cause the Thai Government to review the extent of their commitment to SEATO, and perhaps, if the circumstances were such as to suggest that the Nationalists had been unreasonably let down, to reduce their support of Western policies to the minimum required to prevent a sudden cut-off of United States aid. A change of status for Formosa, if brought about by negotiation, would be greeted at first with considerable relief, since it would accord with the Thai's basic instinct to disengage from any awkward situation. In the longer term it would strengthen the demand for an accommodation with Communist China, particularly in view of the presence of some three million economically powerful Overseas Chinese.

3. The people of the Philippines detest the Chinese and Communism almost equally, and, although American prestige would to some extent be damaged by a weakening of the Nationalist position, there is no great danger of the Philippine Government's turning

- 9 -

SECRET

SECRET

towards neutralism. They would welcome any solution to the question of the offshore islands, whose continued retention they regard as a military and political liability, which would bring about a peaceful Nationalist withdrawal. A change of status in Formosa, provided that this did not entail handing it over to Communist China, would not lead to any readjustment of policy. Only if Formosa were united with mainland China would the Philippine Government probably feel impelled to recognize Peking; and to moderate its persecution of the Overseas Chinese, who are at present effectively controlled by the Chinese Nationalist Embassy.

4. Pakistan is far removed from the area of the dispute, and is likely to be so preoccupied with internal affairs that she will tend to treat the problem largely in the light of her own domestic considerations. President indications are that the new Government will be more, rather than less, closely aligned with the West and, provided that any weakening or change of status for Formosa took place without undue loss of face to the West, we should not expect the effect in Pakistan to be serious.

5. Although much would depend on the way in which it took place, a Nationalist reverse would increase Peking's influence over the Chinese community in Malaya. To that extent it would

- 10 -

SECRET

SECRET

intensify the Chinese expansionist and subversive threat. K.M.T. influence in Malaya is slight and dwindling; and Peking's influence is already the main threat. Provided that a Nationalist setback did not involve United States prestige too closely, nor cast serious doubt of the readiness on the United States to defend other positions in the Far East, local confidence in the West would probably not be seriously shaken. A negotiated provisional status for Formosa would probably be welcomed, as removing a perennial source of international tension.

6. In the neutralist states (India, Indonesia, Burma and Ceylon) the existence of the Nationalist regime is considered by many to constitute a threat to peace. Although the Governments of these countries adhere in public to the thesis that Western defense measures in the Far East and South East Asia are provocative and unnecessary, some, at least, have private apprehensions about Chinese ambitions and might well be alarmed at any developments which seemed to represent a spectacular victory for the Chinese People's Republic. If, however, the situation were adjusted on reasonable terms, they would be relieved at the elimination of a point of friction. In Singapore local supporters of Peking would be encouraged by any weakening of the Nationalists, and this

- 11 -

SECRET

SECRET

might lead in the long run to an increasing desire to reinsure with the Chinese Communists (but see section (c) below).

7. In general, if any changes in the situation appeared to be a series of defeats for, or a continued retreat by, the West, this would have serious repercussions throughout the area. If, however, the outcome appeared as a rational consolidation of the Western position, and it was made clear that Western determination to contain Communist China and to combat political and economic subversion in the rest of the area was not impaired, this need not undermine Asian confidence in the West, and indeed might well have a stabilizing effect.

- 12 -

SECRET

SECRET

Position Paper

(c) Repercussions on Overseas Chinese Communities in South East Asia of any change in Nationalist Status and influence

1. The Chinese in Hong-Kong are not included in the term "Overseas Chinese" as used in this paper.

2. (a) In general the majority of Overseas Chinese are non-political, although in certain territories this may be changing with the rise of a younger generation more politically conscious. In any event, the primary factor controlling the political behaviour of Overseas Chinese is their own self-interest - i.e., they will be affected less by the fate of the Nationalists than by their estimate of the intentions and capabilities of the Governments of the countries in which they live, and of the Western Powers' determination to help those countries and contain Communist China. Nevertheless, a decline in Nationalist influence, whatever the circumstances, would no doubt swing more individuals towards positive sympathy with Peking.

(b) On the whole, Nationalist influence among Overseas Chinese has steadily declined. Any attempt to rebuild it is unlikely to be successful and, to the extent that it were, there would be a greater likelihood, should the Nationalists' status be further weakened, of those Overseas Chinese who had been encouraged

- 13 -

SECRET

SECRET

to look towards Nationalist China simply transferring their allegiance to Peking.

(c) As the power of the Peking Government increases so inevitably will its influence with Overseas Chinese, whatever policy is adopted towards them. The best counter seems to be to encourage them to identify themselves with the countries where they live. The type and degree of "assimilation" which it may be possible to achieve, as well as methods, will vary according to the circumstances in each territory. At best the Chinese sense of racial identity will always be an important limiting factor.

3. The progressive communisation of China, as represented, for example, by the recent development of "communes", will increase the difference between the way of life of the Overseas Chinese and that of Chinese in China, and, if this can be brought home to the former, could help any process of assimilation.

- 15 -

SECRET

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Next 4 Page(s) In Document Exempt

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